

BRIEFING

Statistical governance in Greece - recent developments

Meeting of Financial Assistance Working Group on 22 November 2016

This briefing is provided in advance of the hearing in the Financial Assistance Working Group on 22 November 2016 on official statistics in Greece with Walter Radermacher (since August 2008 Director General of Eurostat) and Andreas Georgiou (between 2 August 2010 and 2 August 2015 head of the Greek Statistical Office, ELSTAT).

This briefing presents a summary of the legal proceedings before Greek courts against Andreas Georgiou, on the ground of the accusation that he has inflated 2009 Greek deficit figures. It also summarizes opinions taken in the public domain by European and International Institutions pertaining to the court case in question. Furthermore, it provides also an overview of the recent developments of Greek statistical system as well as an indication of the magnitude of revision of public finance data after their validation.

State of Play of the Procedure before the Criminal Courts

In 2014, a Greek Investigator was asked by [Decision 1212/2014](#) of the Council of Appeal of Athens to investigate against the former chief of ELSTAT, Andreas Georgiou, and two senior ELSTAT staff members on the ground that they inflated the budget deficit of Greece with the intention to harm the Greek State. The decision was based on [accusations](#) brought against Andreas Georgiou in 2013 by ELSTAT employees claiming that Mr. Georgiou and other officials from the statistics agency artificially inflated Greek budget figures.

A focus of the accusation was that Andreas Georgiou confirmed on 10 November 2010 to Eurostat that the revised Greek government deficit in 2009 was 15.4% of Gross Domestic Product (GDP), thus 1.8 percentage points higher than the previous estimation of the Greek deficit (13.6% on GDP) that had been notified to Eurostat in April 2010 by the General Secretary of the Ministry of Finance. Andreas Georgiou vigorously [denied the allegations](#), saying he simply applied EU accounting standards.

On 14 July 2015, the lower Greek Court decided ([Decision no. 1149/2015](#)) that there was no sufficient evidence to blame Georgiou for making a false statement pertaining the Greece's deficit in 2009 with the purpose to harm the Greek State. It dismissed the case against the former chief of ELSTAT for the crime of false declaration against the Greek State.

On 14 September 2015, the Deputy Prosecutor of the Greek Supreme Court, Xenia Dimitriou (now a Supreme Court Prosecutor) proposed in her explanatory report ([no. 37/2015](#)) to annul the Decision of the lower court, by arguing that Andreas Georgiou should face criminal charges for making a false statement pertaining to the calculation of Greece's deficit in 2009. In particular, she considered that the lower Court had not justified in depth its decision as well as had not applied correctly the substantial criminal provision.

On 1 August 2016, the Supreme Court in its decision ([no. 1331/2016](#)) accepted the annulment proposal of the Deputy Prosecutor and referred the case back to the lower court, so that the latter reassessed its ruling. As a result of the Supreme Court's decision, which revived charges against him

for undermining the “national interest” by allegedly tampering the 2009 deficit, Andreas Georgiou [faces a trial](#) again.

On [18 November 2016](#), Prosecutor Ioannis Koutras - who was put in charge of the case after the Supreme Court overturned the lower court’s ruling - proposed that Andreas Georgiou should not stand trial for allegedly tampering with Greece’s 2009 deficit figure. The Prosecutor found no evidence to support that the 2009 budget deficit of Greece was artificially inflated by Georgiou with the intention to harm the Greek State. The final decision in the case will be made by the Appeals Justices’ Council.

Andreas Georgiou [rejects the accusations against him](#): “*I feel that I’m living in a paradoxical world where everything is standing on its head ... Those who produce reliable statistics that have been validated many times over by international institutions are persecuted while those who oppose them and were responsible for the fraudulent statistics in the past go unchallenged*”.

Remarks made in the public domain

On [24 August 2016](#), the Commissioner for Employment, Social Affairs, Skills and Labour Mobility, as well as European statistics, Marianne Thyssen, said: “*The independence of the Hellenic Statistical Authority ELSTAT and the quality of its statistics are essential. For the Commission and Eurostat it is absolutely clear that data on Greek Government debt during 2010-2015 have been fully reliable and accurately reported to Eurostat.*” Furthermore, the Commission called upon “*the Greek authorities to actively and publicly challenge the false impression that data were manipulated during 2010-2015 and to protect ELSTAT and its staff from such unfounded claims.*”

In August 2016, the **International Statistical Institute (ISI)** [supported](#) Andreas Georgiou: “*The ISI is extremely concerned about the persecution/prosecutions of Mr. Andreas Georgiou, Ms. Athanasia Xenaki and Mr. Kostas Melfetas for doing their work with the highest professionalism, integrity and adherence to international standards and the UN Principles, regardless of political pressure. It is inconceivable that such work, independently verified and approved in line with international standards, could lead to prosecution, and even successful prosecution of those responsible. Instead, such work should be praised!*” In [June 2015](#), ISI expressed the hope that justice will prevail in this case and that the threat of prosecution will finally be lifted from Mr Georgiou and his Managers.

In [February 2013](#), the **Director General of Eurostat** (Walter Radermacher) **and the Presidents/Directors General of National Statistical Institutes** of the EU and EFTA made the following statement: “*While fully respecting the independence of national judicial systems and abstaining from commenting on on-going court cases, we are concerned that political debates surrounding judicial action taken against the Head of the Greek statistical office (ELSTAT) and the calling into question of the validity of data which have repeatedly passed the stringent quality checks applied by Eurostat to ensure full compliance with European law seem to disregard commonly agreed European procedures*”. According to a February 2013 publication of the **ISI**, [Walter Radermacher said](#) that Andreas Georgiou retains his full confidence and that he emphasized that Eurostat refutes

Eurostat statement of April 2010

Eurostat, when validating in April 2010 the 2009 deficit figures of the EU Member States, made the following [reservation](#) on the data submitted by Greece: “*Eurostat is expressing a reservation on the quality of the data reported by Greece, due to uncertainties on the surplus of social security funds for 2009, on the classification of some public entities and on the recording of off-market swaps. Following completion of the investigations that Eurostat is undertaking on these issues in cooperation with the Greek Statistical Authorities, this could lead to a revision for the year 2009 of the order of 0.3 to 0.5 percentage points of GDP for the deficit and 5 to 7 percentage points of GDP for the debt.*”

The term “reservation” is defined in article 15 (1) of [Council Regulation 479/2009](#). The Commission (Eurostat) expresses reservations when it has doubts on the quality of the reported data.

allegations that the deficit of 2009 was over-estimated or that any pressure was put on ELSTAT to falsify data.

In February 2013, the [ISI stated](#) that the charges against Mr. Georgiou and two of his Managers of exaggerating the estimates of Greek government deficit and debt for the year 2009 are fanciful and not consistent with the facts. It added: *“We believe there is absolutely no merit to the charges brought against Mr Andreas Georgiou and his two ELSTAT colleagues. If they were to proceed, it would not only be harmful for these statisticians. It would also undermine both the professional independence of official statistics in Greece in the long term and international confidence in Greek statistics and the Greek government and institutions. We call on the Greek institutions to ensure the integrity, independence and professionalism of Greek statistics and abstain from further prosecution of the ELSTAT President.”*

In [January 2013](#), Eurostat defended (like in [November 2010](#)) the 2009 deficit data as revised in November 2010: *“Eurostat has published the data on government deficit and debt transmitted by ELSTAT without any reservation for the last five notifications (November 2010, April 2011, October 2011, April 2012, October 2012), in contrast with previous periods. This reflects the very significant progress made in the quality of public finance data transmitted by Greece, as a result of new and strengthened procedures. In consequence, Eurostat refutes allegations that the deficit of 2009 was over-estimated or that any pressure was put on ELSTAT to falsify data.”*

Recent developments in the Greek statistical system

The **European Statistical Governance Advisory Board (ESGAB)** provided in March 2015 an [opinion](#) urging full implementation of the Hellenic Statistical Law (3832/2010) and Greece’s commitment on confidence in statistics. The opinion notes progress regarding the quality of Greek statistics since 2009 and remaining concerns.

Progress:

Since 2009, ELSTAT *“has regained the trust of its international partners by notably enhancing the quality of its statistical outputs, in particular its public finance statistics. This work has been carried out despite the difficult resource constraints in Greece and has been supported by EU technical assistance through the Joint Overall Statistical Greek Action Plan (JOSGAP). The commitment and professionalism of Greek statisticians together with the adoption of a modern and comprehensive statistical legislative framework, which reflects best practice, have contributed significantly towards this favourable outcome.”* The opinion also states: *“the progress achieved by ELSTAT can be considered as providing a pioneering example of the type of reform and modernisation that is required in Greece’s public administration as a whole. ELSTAT’s efforts should therefore continue to be supported.”*

Concerns:

However, the ESGAB opinion also refers to an [annual report of the Good Practice Advisory Committee \(GPAC\)](#) established under the Hellenic Statistical Law and to a [peer review report](#), which points to a number of critical issues, inter alia:

“- A distinct absence of a ‘wider cultural acceptance and understanding amongst politicians, administrators, the media and indeed the public at large of what professional statistical independence actually entails in practice’ and that the risk of a serious deterioration of the situation remains. The institution has frequently been called into question in public which undermines the work that has gone into building capacity and trust in the Hellenic statistical system in recent years.

- The principle of professional independence must be implemented in practice. The relevant legislation and rules are in place but they need to be fully implemented, with the clear and active support of the government. The forthcoming amendment of Regulation (EC) No 223/2009 on European statistics will further emphasise the role and position of the heads of national statistical

institutes, by adding a requirement that the procedure for appointing institute heads is transparent and based on professional criteria.

- The Greek Government's commitment on confidence in statistics must be respected and put into practice, particularly in relation to ensuring institutional independence and providing adequate financial and other resources. More specifically, ELSTAT must be able to recruit and maintain a sufficiently qualified workforce.

- The wording of ELSTAT's mandate must be explicit and must be upheld in practice, especially as regards access to administrative records that could improve efficiency and quality while reducing the burden on respondents.

- Principles of quality monitoring and quality assurance, as established in Regulation (EC) No 223/2009 and the European Statistics Code of Practice, must be respected. This includes the requirement that European statistics produced in accordance with Article 338 of the Treaty on the Functioning of the European Union comply with the statistical principles laid down in that article, regardless of national arrangements and the national distribution of tasks. ELSTAT is the national coordinator and the contact point for Eurostat on this issue.

ESGAB agrees with GPAC and the recommendation in the peer review that the Greek Government should take swift action to implement the European Statistics Code of Practice and honour in full its commitment on confidence in statistics on which a report by the Greek government to the Commission is due since March 2014. ESGAB expects Eurostat to continue reporting on the matters highlighted in this Opinion and will closely follow developments in this area."

Not only the ESGAB opinion highlighted concerns on the full independence of the statistical system in Greece. Also the Euro Summit, on [12 July 2015](#), requested Greece to safeguard the full legal independence of ELSTAT by 15 July 2015, as a pre-requisite for an agreement on an ESM programme.

Comparison of revisions of validated public finance data

In order to have an indication of the magnitude of the revisions of public finance data after their validation, the annex tables show the development of the 2009 and 2014 deficit figures between their first notification, the second notification and the latest publication by Eurostat for all EU Member States (October 2016).

The key results of these comparisons are the following:

- Revisions of 2009 data: While for the EU and euro area aggregates the revisions since April 2010 have been minimal or not existent, several Member States had significant revisions. Greece had the highest changes between April and November 2010 (1.8 percentage points of GDP), followed by Latvia and Slovakia (1.2 and 1.1 percentage points of GDP). However, a comparison between the April 2010 data, validated by Eurostat and the most recent Eurostat data for the 2009 deficit situation shows that the biggest changes for the 2009 deficit figures relate to Austria (2.0 percentage points of GDP), Greece (1.5 percentage points of GDP) and the UK (1.3 percentage points of GDP).

- Revisions of 2014 data: the public deficit figures for Greece have, similarly to the euro area and the EU averages, changed only slightly in autumn 2015 and autumn 2016 compared to the first notification in April 2015. Other countries, in contrast, have had significant changes, notably Portugal and Bulgaria (between 2.7 and 3.0 percentage points of GDP).

As regards the potential reasons for the above-mentioned revisions, it should be noted that the figures for public deficits and debts are expressed as percentage of GDP; revisions may therefore be result of changes in nominal deficit data and/or the estimates of GDP. ELSTAT [publishes](#) systematically the Eurostat comments on the first and second notifications for national deficit data of Greece.

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Annex 1: 2009 budget balance figures of EU Members State (% of GDP)

Country	2010 spring	2010 autumn	October 2016	Revisions between spring 2010 and autumn 2010	Revisions between spring 2010 and October 2016
EU	-6,8	-6,8	-6,6	0,0	0,2
Euro area	-6,3	-6,3	-6,3	0,0	0,0
Belgium	-6,0	-6,0	-5,4	0,0	0,6
Bulgaria	-3,9	-4,7	-4,1	-0,8	-0,2
Czech Rep.	-5,9	-5,8	-5,5	0,1	0,4
Denmark	-2,7	-2,7	-2,8	0,0	-0,1
Germany	-3,3	-3,0	-3,2	0,3	0,1
Estonia	-1,7	-1,7	-2,2	0,0	-0,5
Ireland	-14,3	-14,4	-13,8	-0,1	0,5
Greece	-13,6	-15,4	-15,1	-1,8	-1,5
Spain	-11,2	-11,1	-11,0	0,1	0,2
France	-7,5	-7,5	-7,2	0,0	0,3
Italy	-5,3	-5,3	-5,3	0,0	0,0
Cyprus	-6,1	-6,0	-5,4	0,1	0,7
Latvia	-9,0	-10,2	-9,1	-1,2	-0,1
Lithuania	-8,9	-9,2	-9,1	-0,3	-0,2
Luxembourg	-0,7	-0,7	-0,7	0,0	0,0
Hungary	-4,0	-4,4	-4,6	-0,4	-0,6
Malta	-3,8	-3,8	-3,3	0,0	0,5
Netherlands	-5,3	-5,4	-5,4	-0,1	-0,1
Austria	-3,4	-3,5	-5,4	-0,1	-2,0
Poland	-7,1	-7,2	-7,3	-0,1	-0,2
Portugal	-9,4	-9,3	-9,8	0,1	-0,4
Romania	-8,3	-8,6	-9,5	-0,3	-1,2
Slovenia	-5,5	-5,8	-5,9	-0,3	-0,4
Slovakia	-6,8	-7,9	-7,8	-1,1	-1,0
Finland	-2,2	-2,5	-2,5	-0,3	-0,3
Sweden	-0,5	-0,9	-0,7	-0,4	-0,2
UK	-11,5	-11,4	-10,2	0,1	1,3

Sources: [Eurostat \(data extraction: November 2016\)](#)

Annex 2: 2014 budget balance figures (% of GDP)

Country	2015 spring	2015 autumn	October 2016	Revisions between spring 2015 and autumn 2015	Revisions between spring 2015 and October 2016
EU	-2,9	-3,0	-3,0	-0,1	-0,1
Euro area	-2,4	-2,6	-2,6	-0,2	-0,2
Belgium	-3,2	-3,1	-3,1	0,1	0,1
Bulgaria	-2,8	-5,8	-5,5	-3,0	-2,7
Croatia	-5,7	-5,6	-5,4	0,1	0,3
Czech Rep.	-2,0	-1,9	-1,9	0,1	0,1
Denmark	1,2	1,5	1,5	0,3	0,3
Germany	0,7	0,3	0,3	-0,4	-0,4
Estonia	0,6	0,7	0,7	0,1	0,1
Ireland	-4,1	-3,9	-3,7	0,2	0,4
Greece	-3,5	-3,6	-3,6	-0,1	-0,1
Spain	-5,8	-5,9	-6,0	-0,1	-0,2
France	-4,0	-3,9	-4,0	0,1	0,0
Italy	-3,0	-3,0	-3,0	0,0	0,0
Cyprus	-8,8	-8,9	-8,8	-0,1	0,0
Latvia	-1,4	-1,5	-1,6	-0,1	-0,2
Lithuania	-0,7	-0,7	-0,7	0,0	0,0
Luxembourg	0,6	1,4	1,5	0,8	0,9
Hungary	-2,6	-2,5	-2,1	0,1	0,5
Malta	-2,1	-2,1	-2,1	0,0	0,0
Netherlands	-2,3	-2,4	-2,3	-0,1	0,0
Austria	-2,4	-2,7	-2,7	-0,3	-0,3
Poland	-3,2	-3,3	-3,4	-0,1	-0,2
Portugal	-4,5	-7,2	-7,2	-2,7	-2,7
Romania	-1,5	-1,4	-0,8	0,1	0,7
Slovenia	-4,9	-5,0	-5,0	-0,1	-0,1
Slovakia	-2,9	-2,8	-2,7	0,1	0,2
Finland	-3,2	-3,3	-3,2	-0,1	0,0
Sweden	-1,9	-1,7	-1,6	0,2	0,3
UK	-5,7	-5,7	-5,7	0,0	0,0

Sources: [Eurostat \(data extraction: November 2016\)](#)